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# TREASURY INSPECTOR GENERAL FOR TAX ADMINISTRATION

## Office of Inspections and Evaluations



### *Follow-Up Review of Controls Over Religious Compensatory Time*

**August 20, 2014**

**Reference Number: 2014-IE-R009**

This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.

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TREASURY INSPECTOR GENERAL  
FOR TAX ADMINISTRATION

DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

August 20, 2014

**MEMORANDUM FOR DEPUTY COMMISSIONER FOR OPERATIONS SUPPORT**

**FROM:**

*R. David Holmgren*  
R. David Holmgren  
Deputy Inspector General for Inspections and Evaluations

**SUBJECT:**

Final Inspection Report – Follow-Up Review of Controls Over  
Religious Compensatory Time (# IE-14-001)

This report presents the results of our inspection to determine whether Internal Revenue Service (IRS) controls have significantly reduced the number of employees who have excessive religious compensatory time (RCT) balances and to determine whether additional controls are required to deter or prevent the misuse of RCT. Executive agency employees are allowed to work additional hours and then use that time for personal religious beliefs that require the employees' absence from work. The time worked and then taken is referred to as RCT, and this benefit allows employees to participate in religious observances without using annual leave or leave without pay.

*Synopsis*

The IRS has implemented corrective actions that have improved controls over the use of RCT. Between June 2010 and November 2013, the IRS reduced the number of employees with RCT balances and those with excessive RCT balances by approximately 51 and 68 percent, respectively.<sup>1</sup> Overall, the percentage of IRS employees with RCT balances has been reduced to less than 1 percent of all employees. Additionally, we found that between Fiscal Years 2009 and 2013, the IRS reduced the costs of payments to employees separating with RCT balances by approximately 39 percent. For the same time period, the debts owed to the IRS by former employees who have separated with advanced RCT balances decreased by 28 percent.

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<sup>1</sup> The IRS defines an excessive RCT balance as 80 or more hours, either positive (earned) or negative (advanced) leave.



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Despite the improvements in controls over the use of RCT, we identified a relatively small number of employees with high balances for both advanced RCT and advanced sick leave. While an employee can accumulate both advanced RCT and advanced sick leave, high balances of both could indicate that managers and employees are using RCT to circumvent Federal Government and agency leave policies and procedures by authorizing advanced RCT in lieu of sick leave. In such cases, IRS managers should investigate the issue further as required by IRS policies and procedures. In the event that the activity may require a more thorough investigation or is potentially criminal, the Treasury Inspector General for Tax Administration Office of Investigations should be contacted.

### *Response*

IRS management agreed with the results of our review and provided additional information related to previous TIGTA recommendations outlined in Appendix IV. As a result, we revised Appendix IV to document the results of negotiations between the IRS and the National Treasury Employees Union. Management's complete response to the memorandum is included in Appendix V.

Please contact me or Kevin P. Riley, Director, Office of Inspections and Evaluations, if you have questions.



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### *Abbreviations*

AWSS	Agency-Wide Shared Services
ESS	Employee Support Services
FY	Fiscal Year
IRM	Internal Revenue Manual
IRS	Internal Revenue Service
NTEU	National Treasury Employees Union
RCT	Religious Compensatory Time
TIGTA	Treasury Inspector General for Tax Administration
TIMIS	Treasury Integrated Management Information System



## *Follow-Up Review of Controls Over Religious Compensatory Time*

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### *Background*

Title 5 United States Code Section 5550a and its implementing regulations, Title 5 Code of Federal Regulations Sections 550.1001 and 550.1002 (2010),<sup>1</sup> allow executive agency employees to work additional hours and then use that time for personal religious beliefs that require the employees' absence from work. The time worked and then taken is referred to as religious compensatory time (RCT), and this benefit allows employees to participate in religious observances without using annual leave or leave without pay.

Although the U.S. Office of Personnel Management has the authority to prescribe regulations related to the use of RCT, each executive agency head also has the authority to prescribe regulations related to the use of RCT that provide for such exceptions as may be necessary to efficiently carry out the mission of the agency or agencies involved. Each agency should have adequate controls in place to ensure that an employee's request for RCT is for a religious purpose and that an employee is allowed to accumulate only the RCT hours required to make up for previous or planned absences from work for religious observances.

Unlike regular compensatory time, which may be granted in lieu of overtime on an hour-for-hour basis and must be used by the end of the 26<sup>th</sup> pay period from which it was earned, RCT does not expire and must only be earned and used for planned religious observances. An RCT balance can be either negative or positive. A negative balance, referred to as advanced RCT, occurs when an employee takes time off from work for a religious observance before working the extra hours required to make up for time away from work.<sup>2</sup> A positive balance occurs when an employee works extra hours to accumulate RCT before taking time off for a religious observance.

In February 2009, the Treasury Inspector General for Tax Administration (TIGTA) reported that 86 Internal Revenue Service (IRS) employees had accumulated excessive RCT balances as a result of inadequate controls over the use of RCT.<sup>3</sup> The IRS defines an excessive RCT balance as 80 or more hours, either accumulated or advanced. We made several recommendations to improve controls over RCT use and reduce the potential for its widespread abuse. The IRS Human Capital Officer and the Chief, Agency-Wide Shared Services (AWSS), concurred with

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<sup>1</sup> Federal Employees Flexible and Compressed Work Schedules Act of 1978, Section 401, 95 Pub. L. No. 390, 92 Stat. 762.

<sup>2</sup> Throughout the report, we use the absolute value for advanced RCT balances; therefore, the balances will appear as positive numbers.

<sup>3</sup> TIGTA, Ref. No. 2009-IE-R002, *To Prevent the Possible Widespread Abuse of Religious Compensatory Time, Additional Controls Are Needed* (Feb. 2009).



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our recommendations and agreed to implement corrective actions to improve controls over the use of RCT.

In June 2011, a follow-up inspection revealed that the IRS had not fully implemented all the agreed-upon corrective actions related to our previous recommendations<sup>4</sup> because the implementation of those corrective actions was contingent on the outcome of negotiations with the National Treasury Employees Union (NTEU).<sup>5</sup> Nonetheless, between February 2008 and June 2010, the overall number of IRS employees with RCT balances decreased by approximately 33 percent, and the number of employees with excessive RCT balances decreased by nearly 37 percent. We also found that only about 2 percent of all IRS employees had RCT balances, and 81 percent of those employees had RCT balances below 20 hours. While the issue of excessive balances was not widespread within the IRS, the accumulation of excessive RCT balances increases the risk that employees may use the time for unintended purposes. This includes earning RCT and routinely not using it with the intention of receiving a lump sum payment for the balance upon separation or retirement; using RCT in place of annual or sick leave; or allowing employees to earn RCT in lieu of overtime, compensatory time, or credit hours.

In November 2013, the AWSS Office of Employee Support Services (ESS) notified our office about continued potential abuses related to RCT use. The ESS also noted a relationship between advanced RCT balances and advanced sick leave for some employees. The ESS asked the TIGTA to review this issue.

The TIGTA conducted this follow-up review to determine whether the IRS has reduced the risk that IRS employees misuse RCT. This review was performed during the period January 2014 through May 2014 in the IRS Human Capital Office (responsible for IRS-wide employee pay and benefits policies) and AWSS offices at the IRS National Headquarters in Washington, D.C., and Memphis, Tennessee. We conducted this inspection in accordance with the Council of the Inspectors General for Integrity and Efficiency Quality Standards for Inspections. Detailed information on our objective, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix II.

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<sup>4</sup> TIGTA, Ref. No. 2011-IE-R004, *Follow-Up Review of Controls Over Religious Compensatory Time* (June 2011).

<sup>5</sup> The NTEU is the union that represents IRS bargaining unit employees.



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### *Results of Review*

Since our initial report, the IRS has enhanced controls to better manage the use of RCT and continues to reduce the overall number of employees with RCT balances and the number of employees with excessive RCT balances. Despite these improvements, there remains a risk that RCT may be used for unintended purposes.

#### ***Fewer Employees Have Excessive Religious Compensatory Time Balances***

The IRS implemented several corrective actions to improve controls over the use of RCT. Among those controls are that employees should submit a written request for RCT 15 days in advance and should agree to a plan that documents the time to be worked in advance or after the event to cover the time away from work. The employee's manager may deny the request for RCT if the employee's presence on a job at the time in question is deemed necessary or no reasonable opportunities are foreseen for the employee to timely repay the RCT advanced. Generally, any advanced RCT should be repaid within 120 days. Additionally, the ESS unit provides semiannual reports to senior executives of each operating division and business unit that document employees with RCT balances that are excessive or have not decreased within the previous six-month review period. However, some controls do not yet apply to IRS bargaining unit employees (approximately 79 percent of IRS employees)<sup>6</sup> because these controls must be negotiated with the NTEU prior to implementation and inclusion in the next IRS and NTEU National Agreement.<sup>7</sup> The status of the corrective actions proposed in response to our prior reviews is shown in Appendix IV.

Having an RCT balance in and of itself does not create a problem. However, we believe that employees with higher RCT balances may be more likely than those with smaller balances to use RCT for nonreligious purposes. Potential misuse includes earning RCT and routinely not using it with the intention of receiving a lump sum payment for the balance upon separation or retirement; using RCT instead of annual or sick leave; or earning RCT in lieu of overtime, compensatory time, or credit hours.

Between June 2010 and November 2013, we found that the number of IRS employees with RCT balances declined by approximately 51 percent (from 1,899 to 936 employees). More importantly, the number of employees with excessive RCT balances declined by approximately

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<sup>6</sup> As of November 2013, bargaining unit employees represented 79 percent (74,809 of 94,217) of all IRS employees.

<sup>7</sup> The provisions of the 2012 National Agreement II covers all IRS bargaining unit employees represented by the NTEU.

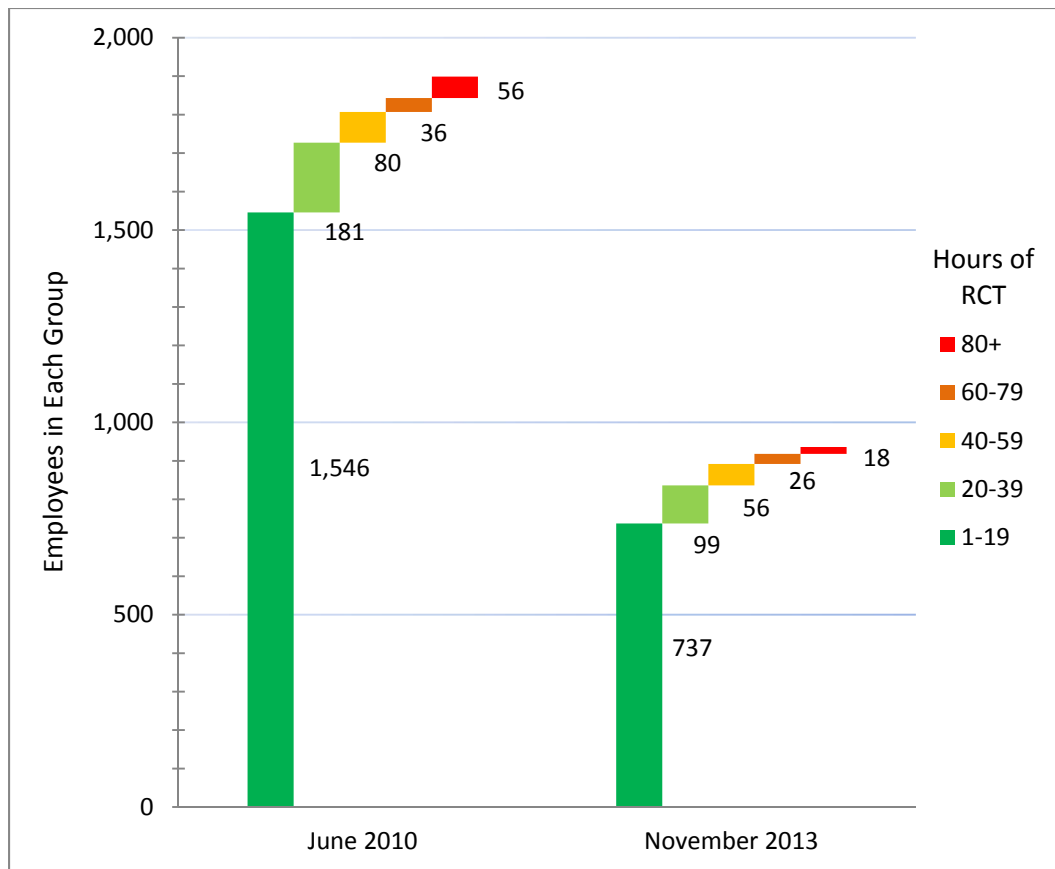




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68 percent (from 56 to 18 employees). As of November 2013, approximately 79 percent (737 of 936) of IRS employees with RCT had balances between 1 and 19 hours, while less than 2 percent (18 of 936 employees) had excessive balances. Figure 1 shows the distribution of RCT balances as of June 2010 and November 2013 and highlights the decline in each group.

**Figure 1: Comparison of RCT Balances From June 2010 and November 2013**



Source: TIGTA analysis of IRS time and attendance records.

Overall, the percentage of IRS employees with RCT balances has declined to less than 1 percent of employees, and the percentage of employees with excessive balances is a fraction of 1 percent (see Figure 2).



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**Figure 2: Decrease in Employees With RCT Balances**

	June 2010	November 2013
<b>Total Number of Employees</b>	107,728	94,217
<b>Employees With RCT Balances</b>	1,899	936
<i>Percent of Total Population</i>	1.76 %	0.99 %
<b>Employees With Excessive RCT Balances</b>	56	18
<i>Percent of Employees With RCT Balances</i>	2.95 %	1.92 %
<i>Percent of Total Population</i>	0.05 %	0.02 %

Source: TIGTA analysis of Treasury Integrated Management Information System (TIMIS) and IRS time and attendance records.<sup>8</sup>

### **Large amounts of advanced RCT and advanced sick leave could indicate the misuse of RCT**

Unless special circumstances exist, managers may authorize up to 80 hours of advanced RCT. Advanced RCT should be repaid by the appropriate amount of compensatory overtime work within a reasonable amount of time, which generally is within 120 days. Additionally, a manager may approve up to 30 days (the equivalent to 240 hours) of advanced sick leave for a full-time employee with a serious health condition, to care for a family member with a serious health condition, for purposes relating to the adoption of a child, or to care for a covered service member (member or veteran of the Armed Forces) with a serious injury or illness. There must be a reasonable indication that the employee will return to duty after his or her illness. When it is known or reasonably expected that the employee will separate during the year, the total amount of sick leave advanced may not exceed the amount that can be earned prior to the anticipated separation.

The ESS unit provides semiannual reports to senior executives of each operating division and business unit that document employees with RCT balances that are excessive or have not decreased within the previous six-month review period. The ESS identified several employees who had relatively high balances for both advanced RCT and advanced sick leave. The ESS staff expressed the concern that there is a risk that some managers and employees are using RCT

<sup>8</sup> The TIMIS contains payroll data for IRS employees per pay period, e.g., post of duty, salary, grade, employee addresses, etc.

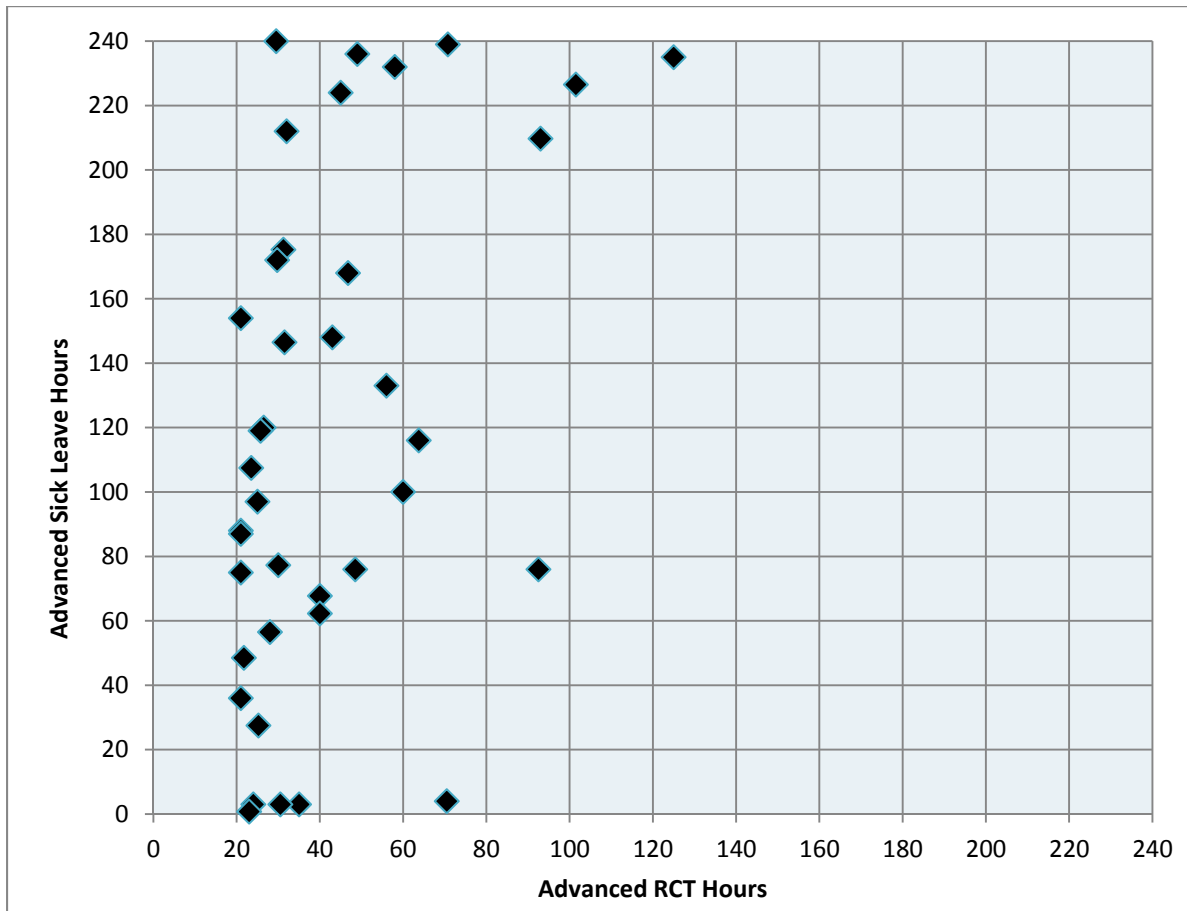


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to circumvent Federal Government and agency leave policies and procedures by authorizing advanced RCT in lieu of sick leave.

We identified 106 IRS employees with advanced RCT balances equal to or greater than 20 hours as of the end of Fiscal Year (FY) 2013 and found that 39 of the 106 employees (approximately 37 percent) had both advanced RCT and advanced sick leave. The advanced RCT balances for these employees ranged from 20 to 125 hours, and their advanced sick leave balances ranged from 1 to 240 hours (see Figure 3).

**Figure 3: Relationship Between Advanced RCT and Advanced Sick Leave**



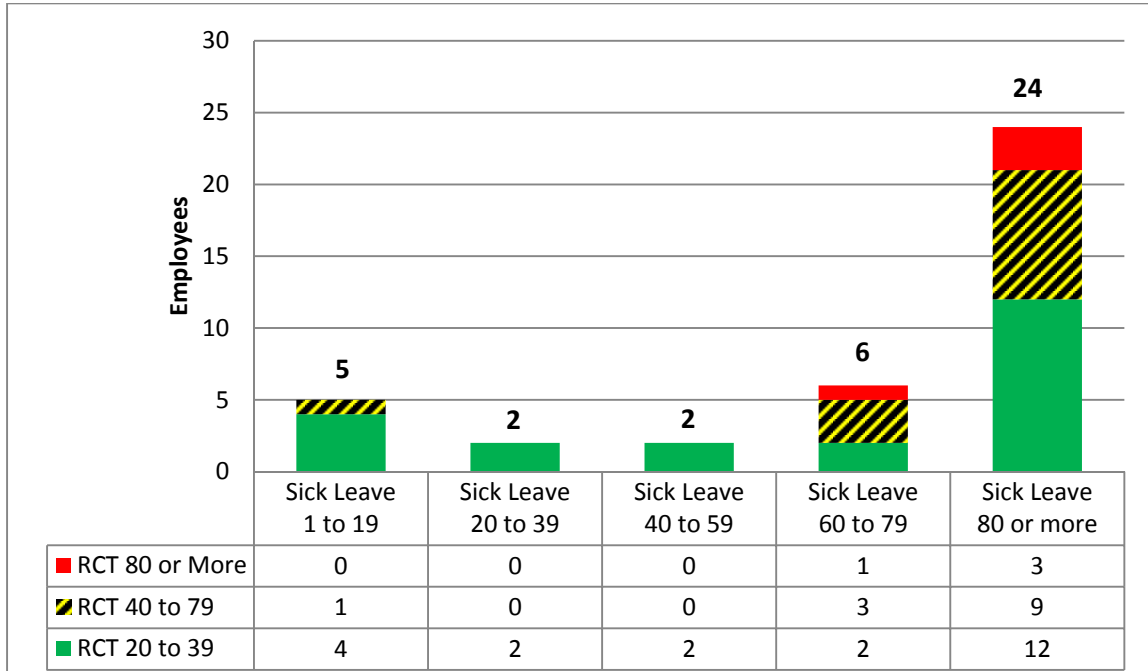
Source: TIGTA analysis of TIMIS and IRS time and attendance data, as of the end of FY 2013.

Twenty-four of the 39 employees (approximately 62 percent) had advanced sick leave balances equal to or greater than 80 hours, and their outstanding advanced sick leave balances ranged from 80 to 240 hours. Three of the 24 employees had excessive advanced RCT balances and nine had advanced RCT balances from 40 to 79 hours (See Figure 4).



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**Figure 4: Summary Grouped by Advanced RCT and Advanced Sick Leave**



Source: TIGTA analysis of TIMIS and IRS time and attendance records.

The existence of high balances of advanced RCT and advanced sick leave could indicate that RCT is being misused. Specifically, managers may be approving advanced RCT for unintended purposes or ignoring procedures that limit the amount of advanced RCT and generally require repayment of RCT within 120 days. Intentionally falsifying an official record, including time and attendance records, would violate the Department of the Treasury Employee Rules of Conduct (31 Code of Federal Regulation Section 0.208). Any employee or manager who becomes aware of matters involving potential misconduct is required to report it to the appropriate manager. The managers in turn are required to gather information related to potential misconduct and follow the Administrative/Disciplinary Issues procedures outlined in Internal Revenue Manual (IRM)<sup>9</sup> 6.751, *Discipline and Disciplinary Actions*.<sup>10</sup> In the event that the activity is potentially criminal or the IRS requires additional investigative capabilities<sup>11</sup> for matters related to noncriminal or administrative misconduct,<sup>12</sup> the TIGTA Office of

<sup>9</sup> The IRM is the IRS's primary source of instructions to its employees relating to the administration and operation of the IRS. The manual contains the directions employees need to carry out their operational responsibilities.

<sup>10</sup> IRM 675.1.12 (Nov. 4, 2008).

<sup>11</sup> Additional investigative capabilities include obtaining affidavits or sworn statements and securing other evidence not customarily available to IRS management during the course of their official duties.

<sup>12</sup> IRM 675.1.13 (Nov. 4, 2008).



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Investigations should be contacted.<sup>13</sup> IRS employees may also anonymously report allegations of fraud, waste, abuse, and mismanagement to the TIGTA Hotline.<sup>14</sup>

### **The cost and risk posed by separating employees with excessive balances is declining**

The IRS must pay an employee who separates from the IRS with an RCT balance at the rate of his or her basic pay at the time the work was performed. We found that overall there has been a reduction in the number of employees separating from the IRS with excessive RCT balances and a reduction in the number of overall RCT hours paid for by the IRS. While the total estimated amount paid out annually fluctuated from year to year, the total annual payments declined from \$80,012 to \$49,184 between FY 2009 and 2013 (a decline of nearly 39 percent).

**Figure 5: Amounts Paid to Employees  
Who Separated From the IRS With RCT Balances**

	Employees With Excessive Balances	Total			
		Employees	Hours	Estimated Amount Paid <sup>15</sup>	Percentage Change in Amount Paid
<b>FY 2009</b>	3	74	1,427.00	\$ 80,012	
<b>FY 2010</b>	6	60	1,900.00	\$ 102,152	+ 27.7 %
<b>FY 2011</b>	3	57	1,475.25	\$ 84,575	- 17.2 %
<b>FY 2012</b>	5	61	1,770.50	\$ 105,052	+ 24.2 %
<b>FY 2013</b>	1	50	857.00	\$ 49,184	- 53.2 %
Percentage of Change Between FYs 2009 and 2013					- 38.5 %

Source: TIGTA analysis of TIMIS data as of September 2013.

Conversely, if an employee separates from the IRS with an advanced RCT balance, the IRS should subtract the amount owed for the advanced RCT balance from the final payments owed to the separating employee and, if necessary, establish a debt owed by the separating employee to the IRS for any remaining balance. We found that between FY 2009 and FY 2013, only

<sup>13</sup> IRM 675.1.13 (Nov. 4, 2008).

<sup>14</sup> [http://www.treasury.gov/tigta/contact\\_report.shtml](http://www.treasury.gov/tigta/contact_report.shtml) or by telephone at 1 (800) 366-4484.

<sup>15</sup> Due to inconsistencies in how the IRS and the National Finance Center store and categorize data for payment of RCT hours to separated employees, an estimate of the amount paid out is provided. The estimate is computed by multiplying the number of hours of RCT at the time of separation by the employee's hourly rate at the time of separation.



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one employee separated with an excessive advanced RCT balance. Overall, the number of employees separating from the IRS with advanced balances has decreased by about 49 percent from FY 2009 to 2013, and the total amount owed has remained relatively low and decreased from \$14,354 to \$10,339 (about 28 percent).

**Figure 6: Debts Owed by Employees Who  
Separated From the IRS With Advanced RCT Balances**

	Employees With Excessive Balances	Total			
		Employees	Hours	Estimated Amount Owed	Percentage Change in Amount Owed
<b>FY 2009</b>	0	43	483.25	\$ 14,354	
<b>FY 2010</b>	1	35	448.50	\$ 13,646	– 4.9 %
<b>FY 2011</b>	0	44	262.00	\$ 8,613	– 36.9 %
<b>FY 2012</b>	0	29	337.25	\$ 10,697	+ 24.2 %
<b>FY 2013</b>	0	22	274.50	\$ 10,339	– 3.4 %
Percentage of Change Between FY 2009 and 2013					– 27.9 %

*Source: TIGTA analysis of TIMIS data as of September 2013.*

Compared to the IRS’s total annual budget of over \$11 billion, the amounts paid to or owed by employees are minimal, and the potential financial risk to the IRS decreases as controls over the RCT program are implemented and increasingly adhered to.



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**Appendix I**

*Detailed Objective, Scope, and Methodology*

The objective of this review was to determine whether IRS controls have significantly reduced the number of employees who have excessive RCT balances and to determine whether additional controls are required to deter or prevent the misuse of RCT. To accomplish this objective, we:

- I. Determined whether the IRS has significantly reduced the number of employees with excessive RCT balances.
  - A. Prepared a trend analysis of RCT charges from June 2010 through November 2013.
  - B. Determined the financial impact of employees who separated from the IRS with RCT balances.
- II. Determined whether some employees and managers may be using RCT for unintended purposes.
  - A. For those employees with longstanding, excessive advanced RCT balances, determined whether there is a correlation between advanced RCT and advanced sick leave.
  - B. In cases for which a correlation existed, gathered additional information from time and attendance records and interviews to determine whether the cases should be referred to the TIGTA Office of Investigations.
- III. Interviewed officials in the Human Capital Office to determine if the IRS plans to negotiate with the NTEU<sup>1</sup> the unimplemented corrective actions (for bargaining unit employees) that were agreed upon during the TIGTA's last follow-up review.<sup>2</sup>

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<sup>1</sup> The NTEU is the union that represents IRS bargaining unit employees.

<sup>2</sup> TIGTA, Ref. No. 2011-IE-R004, *Follow-Up Review of Controls Over Religious Compensatory Time* (June 2011).



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**Appendix II**

*Major Contributors to This Report*

Kevin P. Riley, Director, Inspections & Evaluations  
James A. Douglas, Supervisory Evaluator  
John L. da Cruz, Lead Program Analyst





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**Appendix III**

*Report Distribution List*

Commissioner C  
Office of the Commissioner – Attn: Chief of Staff C  
Assistant Deputy Commissioner for Operations Support OS  
Chief, Agency-Wide Shared Services OS:A  
IRS Human Capital Officer OS:HC  
Chief Counsel CC  
National Taxpayer Advocate TA  
Director, Office of Legislative Affairs CL:LA  
Director, Office of Program Evaluation and Risk Analysis RAS:O  
Office of Internal Control OS:CFO:CPIC:IC  
Director, Workforce Relations OS:HC:R  
Audit Liaisons:  
    Chief, Agency-Wide Shared Services OS:A  
    IRS Human Capital Officer OS:HC



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**Appendix IV**

*Status of Corrective Actions  
Related to Previous Recommendations*

<p>1. The IRS Human Capital Officer should modify the IRS RCT procedures to require that all employees (bargaining unit and non-bargaining unit) repay advanced RCT before a manager can approve employees' voluntary requests to earn overtime, compensatory time, or credit hours.<sup>1</sup> (<i>Recommendation 1 of Ref. No. 2011-IE-R004</i>)<sup>2</sup></p>	<p><b>Closed – Recommendation Not Implemented.</b></p>
<p>The IRS initially agreed with this recommendation and revised IRS policy and stated this requirement in IRM 6.550.1.7.1,<sup>3</sup> but it was not implemented for bargaining unit employees pending negotiations between the IRS and the NTEU.<sup>4</sup></p> <p>The IRS and NTEU completed negotiations and this recommendation will not be implemented in the new National Agreement. The IRS will not implement this corrective action for bargaining unit employees and will subsequently remove the current requirement for non-bargaining unit employees to repay advanced RCT before being approved to earn overtime, compensatory time, or credit hours.</p>	

<sup>1</sup> This recommendation was redesigned and reintroduced in the 2011 follow-up review in order to enhance corrective actions previously implemented by the IRS and to specifically include bargaining unit employees.

<sup>2</sup> TIGTA, Ref. No. 2011-IE-R004, *Follow-Up Review of Controls Over Religious Compensatory Time* (June 2011).

<sup>3</sup> The IRM is the IRS's primary source of instructions to its employees relating to the administration and operation of the IRS. The manual contains the directions employees need to carry out their operational responsibilities.

<sup>4</sup> The NTEU is the union that represents IRS bargaining unit employees.



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<p>2. The IRS Human Capital Officer should modify the IRS RCT procedures to require that all employees (bargaining unit and non-bargaining unit) submit written requests to earn or use RCT and should develop a standard form for requesting, authorizing, and documenting the use of RCT.<sup>5</sup> (<i>Recommendation 2 of Ref. No. 2011-IE-R004</i>)</p>	<b>Closed – Completed.</b>
<p>The IRS agreed with this recommendation and revised IRM 6.550.1 to state that an employee should submit a written request to take compensatory time off for a specific religious observance. This requirement previously applied only to non-bargaining unit employees.</p> <p>The IRS and NTEU completed negotiations and this requirement will go into effect in the new National Agreement.</p>	
<p>3. The IRS Human Capital Officer should require that all managers and timekeepers receive mandatory training on the revised procedures and responsibilities associated with RCT. (<i>Recommendation 3 of Ref. No. 2011-IE-R004</i>)</p>	<b>Closed – Partially Implemented. No further action planned.</b>
<p>The IRS requires that all managers receive mandatory training on the revised procedures and responsibilities associated with RCT. Timekeepers are not required, but are encouraged, to complete the training.</p>	

<sup>5</sup> This recommendation was redesigned and reintroduced in the 2011 follow-up review in order to enhance corrective actions previously implemented by the IRS and to specifically include bargaining unit employees.



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<p>4. Ensure that all IRS managers and employees receive training on IRS time and attendance policies related to all types of leave to increase awareness of possible abuse and ensure proper administration of not only RCT but also of all other types of leave and hours of duty.</p> <p>This training should also reference supervisors' and managers' Federal Managers' Financial Integrity Act<sup>6</sup> responsibilities. (<i>Recommendation 1 of Ref. No. 2009-IE-R002</i>)<sup>7</sup></p>	<b>Closed – Completed.</b> <sup>8</sup>
<p>IRS management agreed with the recommendation and completed a training module specifically related to RCT that provides detailed guidance on how RCT is to be earned and used. The training is only mandatory for new front-line managers; it is not mandatory for all managers and employees.</p>	
<p>5. Modify IRS RCT procedures to require that all requests for RCT be submitted in writing before any RCT is earned or taken. The request should include: the dates and number of hours requested, a brief explanation of the personal belief that requires the employee to abstain from work, the time requested, and the dates and times the employee will repay the hours used. (<i>Recommendation 2 of Ref. No. 2009-IE-R002</i>)</p>	<b>Closed – Completed.</b> <sup>9</sup>
<p>IRS management agreed with the recommendation and will require employees to submit written requests for RCT with the pertinent information.</p>	

<sup>6</sup> Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. §§ 1105, 1113, and 3512) requires agencies to establish internal controls and financial systems that provide reasonable assurance that the three objectives of internal control are achieved: effectiveness and efficiency of operations, compliance with applicable laws and regulations, and reliability of financial reporting.

<sup>7</sup> TIGTA, Ref. No. 2009-IE-R002, *To Prevent the Possible Widespread Abuse of Religious Compensatory Time, Additional Controls Are Needed* (Feb. 2009).

<sup>8</sup> This recommendation was superseded by the recommendation and corrective actions listed in item 3 of this table. The recommendation was redesigned and reintroduced in the 2011 follow-up review in order to enhance corrective actions previously implemented by the IRS and to specifically include bargaining unit employees.

<sup>9</sup> This recommendation was superseded by the recommendation and corrective actions listed in item 2 of this table. The recommendation was redesigned and reintroduced in the 2011 follow-up review in order to enhance corrective actions previously implemented by the IRS and to specifically include bargaining unit employees.



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<p>6. Strengthen procedures to require that managers (a) not allow employees with existing positive RCT balances to accumulate additional RCT unless they provide the required written request and then (b) allow the employees to earn only enough time to cover the specific observance in the request. (<i>Recommendation 3 of Ref. No. 2009-IE-R002</i>)</p>	<b>Closed – Completed.</b>
<p>The IRS agreed with this recommendation and revised IRM 6.550.1 to emphasize that additional RCT may not be approved if existing RCT balances have not been used, repaid, or scheduled for use or repayment.</p> <p>This requirement previously did not apply to bargaining unit employees. However, the decision to require that all employees (bargaining unit and non-bargaining unit) submit written requests to earn or use RCT coupled with the guidance outlined in the 2012 National Agreement II will essentially address our recommendation.</p>	
<p>7. Modify the IRS RCT procedures to require that advanced RCT balances <u>must</u> be repaid before approving employees' voluntary requests to earn overtime, compensatory time, or credit hours. (<i>Recommendation 4 of Ref. No. 2009-IE-R002</i>)</p>	<b>Closed – Recommendation Not Implemented.<sup>10</sup></b>
<p>IRS management somewhat agreed with the recommendation and revised its policies to state that employees <u>should</u> repay advanced RCT before a manager can approve employees' voluntary requests to earn overtime, compensatory time, or credit hours.</p>	

<sup>10</sup> This recommendation was superseded by the recommendation and corrective actions listed in item 1 of this table. The recommendation was redesigned and reintroduced in the 2011 follow-up review in order to enhance corrective actions previously implemented by the IRS and to specifically include bargaining unit employees.



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<p>8. Formalize a procedure to have the AWSS staff produce a semiannual listing of employees with RCT balances that are excessive or have not decreased within that six-month review period. The list should be provided to the senior executive of each operating division and business unit. Within 60 days of receiving the list, each senior executive will provide a report to the IRS Human Capital Officer on steps to be taken to ensure that managers prepare plans to address the excessive balances. (<i>Recommendation 5 of Ref. No. 2009-IE-R002</i>)</p>	<b>Closed – Completed.</b>
<p>The IRS prepares a semiannual listing of employees with RCT balances that are excessive or have not decreased within that six-month review period. The listing is provided to the senior executive of each operating division and business unit.</p>	

*Source: Summary based on reviews of the IRS's IRM and the 2012 National Agreement II and interviews with IRS employees.*



*Follow-Up Review of Controls  
Over Religious Compensatory Time*

**Appendix V**

*Management's Response to the Draft Report*



HUMAN CAPITAL OFFICE

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

July 11, 2014

MEMORANDUM FOR R. DAVID HOLMGREN  
DEPUTY INSPECTOR GENERAL FOR INSPECTIONS  
AND EVALUATIONS

FROM Daniel T. Riordan *DT Riordan*  
IRS Human Capital Officer

SUBJECT Draft Inspection Report – Follow-Up Review of Controls Over  
Religious Compensatory Time (# IE-14-001)

Thank you for the opportunity to review the Follow-Up Review of Controls Over Religious Compensatory Time draft report, dated June 26, 2014.

We agree with the results of your review, which found that the IRS has enhanced controls to better manage the uses of religious compensatory time (RCT). You also found that as a result of our effort, the IRS continues to reduce the overall number of employees with RCT balances and the number of employees with excessive RCT balances.

In Appendix IV of the draft inspection report, you mentioned two recommendations from your previous audit also entitled, Follow Up Review of Controls Over Religious Compensatory Time, Reference Number 2011-IE-R004. These recommendations were contingent upon IRS/NTEU contract negotiations. The negotiations that pertain to RCT have now concluded and I would like to share the results that apply to Recommendations 1 and 2 of your 2011 review.

1. The IRS Human Capital Officer should modify the IRS RCT procedures to require that all employees (bargaining unit and non-bargaining unit) repay advanced RCT before a manager can approve employees' voluntary requests to earn overtime, compensatory time, or credit hours.
  - The IRS/NTEU bargaining on this issue is complete and the provisions for bargaining unit employees to repay advance RCT before approval of voluntary requests to earn overtime, compensatory time, or credit hours was not included in the new agreement. Therefore, this corrective action will not be implemented for bargaining or non-bargaining employees.



## *Follow-Up Review of Controls Over Religious Compensatory Time*

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2. The IRS Human Capital Officer should modify the IRS RCT procedures to require that all employees (bargaining unit and non-bargaining unit) submit written requests to earn or use RCT and should develop a standard form for requesting, authorizing, and documenting the use of RCT.
  - The IRS/NTEU bargaining on this issue is complete and this requirement will go into effect with the new agreement. While all requests to earn or use RCT must be in writing and a standard form for requesting, authorizing and documenting the use of RCT has been developed, the use of the form is optional.

We value your continued support to strengthen IRS's processes. If you have any questions, please contact me at (202) 317-7600, or a member of your staff may contact Karen Becton-Johnson, Director, WorkLife, Benefits and Engagement Division, at 202-317-5382.